Post 5/2/75

Hughes Faces Tax Bill Of $1.2 Million on Ship

LOS ANGELES, May 1 (AP) — Industrialist Howard Hughes will be taxed $1.24 million on the Hughes Glomar Explorer, a recovery ship that raised part of a sunken Soviet submarine last summer, says county tax assesor Philip E. Watson.

Hughes' tax bill could be even higher if Watson decides the salvage and electronic gear aboard the vessel also belongs to Hughes.

"It has sonar, ultrasonic devices, depth-measuring devices and a sophisticated loran system for navigating," Watson said Wednesday. "Subtract personnel and operations costs from the $450 million total cost of this project, that still could leave $300 million for the boat and electronics."

County tax officials said they usually assess property at 25 per cent of fair market value. Applying the $12.43 Long Beach tax rate for each $100 assessed valuation on the Hughes Glomar Explorer's estimated total market value of $300 million, or assessed value of $75 million, the tax would be in excess of $9.32 million, they said.

"However, I'm inclined to the view the electronics are owned by the U.S. Government," Watson said.

He said he was visited last Friday by two Central Intelligence agents who showed him a letter from Verne Olson, controller of Hughes' Summa Corp., contending the Hughes Glomar Explorer is not taxable in California because the ship is documented in Delaware and called at Long Beach only for repair, maintenance and completion of construction.

However, Olson's letter did not raise the question of the ship's ownership and the CIA agents refused to substantiate with a letter their claim that the ship was owned by the government, Watson said.

He said he had no recourse but to assess the ship for county taxation.

Watson disclosed one month ago that he had kept the Explorer off county tax rolls because four CIA agents informed him the ship was government-owned. He said the agents also asked him then not to disclose the CIA-backed salvage mission conducted by the Explorer and a Redwood City-based barge in the Pacific last summer.

There were reports that the raised portion of the sunken Russian submarine contained evidence that Soviet ships plying off the U.S. coast were equipped with nuclear-tipped missiles and torpedoes.

The Hughes Glomar Explorer left Long Beach April 16 amid reports it will try this summer to salvage another portion of the submarine, which may include the key to a Russian secret code.

Watson said once an assessment is made on the ship the Hughes' company will have until Aug. 31 to pay the tax. If it is not paid, he said, "That becomes the tax collector's problem. The usual procedure is to find some property and post a seizure and sale notice."

The Explorer is now at sea, but Hughes has extensive holdings in the Los Angeles area.